

Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 SS-15 NSC-05
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 7656
INFO AMEMBASSY BONN
AMEMBASSY PARIS

C O N F I D E N T I A L OTTAWA 02895

USOECD

E.O. 11652: GDS
TAGS: ECIN, EAID, GW, XL
SUBJECT: CARIBBEAN DEVELOPMENT COOPERATION

REF: BONN 9823

1. EMBOFF DISCUSSED WITH CIDA OFFICIAL ISSUE RAISED
REFTEL OF CANADIAN ATTITUDE TOWARD FRG PARTICIPATION ON
CARIBBEAN DEVELOPMENT ACTIVITIES. OFFICIAL SAID THAT
FRG'S IMPRESSION THAT GOC IS COOL TOWARD GREATER GERMAN
PARTICIPATION IS MISTAKEN.

2. ACCORDING TO CIDA,FRG COMPLAINT THAT ITS DM16.5MILLION
(USDOLS 7.8 MILLION) CONTRIBUTION TO THE CARIBBEAN
DEVELOPMENT BANK'S (CDB) SPECIAL DEVELOPMENT FUND (SDF)
DID NOT QUALIFY IT AS A "SUBSTANTIAL CONTRIBUTOR"
MISREPRESENTS THE ISSUE. OFFICIAL NOTED THAT TERM,
"SUBSTANTIAL CONTRIBUTOR" DESIGNATES COUNTRIES WHICH ARE
ELIGIBLE FOR PROCUREMENT ON LOANS FROM CDB'S ORDINARY
CAPITAL RESOURCES AND THAT FRG IS SO DESIGNATED. SUCH
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A DESIGNATION IS NOT APPLICABLE TO SDF CONTRIBUTIONS
AND PROCUREMENT ELIGIBILITY IS ESTABLISHED IN BILATERAL
NEGOTIATIONS.

3. OFFICIAL EXPRESSED VIEW THAT FRG'S REAL PROBLEM
APPEARED TO BE THAT CANADA HAD NOT UNTIED ITS CONTRIBUTION
TO THE SDF FOR PROCUREMENT IN GERMANY. GOC POSITION IS

THAT CANADIAN PROCUREMENT SHOULD NOT BE UNTIED FOR FRG SINCE LATTER'S CONTRIBUTION IS ON HARDER TERMS THAN CANADIAN CONTRIBUTION AND BECAUSE REQUIREMENT THAT FRG FUNDS BE USED FOR SUPPORT OF SMALL INDUSTRIES AND PURCHASES OF SEMI-MANUFACTURED GOODS CONSTITUTES "THINLY DISGUISED TYING" OF AID.

4. EMBOFF COMMENTED THAT GOC REFUSAL TO UNTIE FOR PROCUREMENT IN U.S. WAS LINKED TO TERMS OF OUR LENDING TO CDB AND THAT CANADIAN INSTANCE ON THIS POINT PRESENTED DIFFICULTIES FOR US SINCE THERE ARE LEGISLATIVE LIMITS ON CONCESSIONALITY OF AID LOANS, AND BECAUSE U.S. LOAN TO AGRICULTURAL DEVELOPMENT FUND WAS UNTIED FOR CANADA. MOREOVER, QUESTION OF AID TERMS AND RECIPROCAL UNTYING WERE SEPARATE ISSUES AND SHOULD NOT BE LINKED. OFFICIAL INDICATED THAT WHILE GOC CONTINUED TO OBJECT TO TERMS OF U.S. LENDING, MAIN REASON FOR NOT UNTYING FOR U.S. WAS THAT IT WOULD BE DIFFICULT TO DO SO WITHOUT ALSO UNTYING FOR FRG WHOSE AID WAS EFFECTIVELY TIED.

5. GOC PLANS TO INSTRUCT CANADIAN EMBASSY IN BONN TO DISCUSS THE ISSUES INVOLVED WITH THE FRG AND TO CLARIFY CANADIAN POSITION. DUEMLING

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